

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 NEA-11 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 IO-14 NSAE-00

RSC-01 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJ: OECD REVIEW OF INWARD FOREIGN DIRECT INVESTMENT
RESTRICTIONS (TURKEY)

REF: STATE 20051; USMISSION OECD A-19, JANUARY 30, 1973

1. WE BELIEVE IT WOULD BE USEFUL DURING OECD REVIEW TO RAISE
IN LOW KEY QUESTION OF DELAYS AND OBSTACLES IN PROCESS OF APPROVAL
OF INWARD FOREIGN INVESTMENT PROPOSALS, AS WAS DONE LAST YEAR
(OECD A-19, JANUARY 30, 1973). NEW RPP-NSP COALITION
GOVERNMENT HAS ANNOUNCED INTENTION OF REVIEWING POLICY TOWARDS
FOREIGN INVESTMENT. (NEW GOVERNMENT'S POLICY STATEMENT HAS
EXPRESSED SOME DISSATISFACTION WITH PAST INVESTMENT BUT HAS
ACKNOWLEDGED THAT TURKEY WILL CONTINUE TO NEED INVESTMENT FROM
ABROAD.) INQUIRY IN OECD FORUM MIGHT HELP TO ENSURE THAT VIEW
FROM SIDE OF POTENTIAL FOREIGN INVESTORS IS ALSO CONSIDERED IN
NEW GOVERNMENT'S REVIEW OF FOREIGN INVESTMENT.

2. A. POTENTIAL INVESTORS MAKE GENERAL COMPLAINT ABOUT FOREIGN
INVESTMENT APPROVAL PROCEDURES WHICH IS DIRECTED AT EFFECT OF
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WHOLE PROCESS AND CANNOT BE PINNED DOWN TO SPECIFIC STEPS IN

PROCESS, FOR THIS REASON, AND BECAUSE OF RELUCTANCE OF FIRMS ON BALANCE TO BE IDENTIFIED WITH COMPLAINTS, WE HAVE NOT BEEN ASKED TO INTERVENE IN SUCH CASES DURING PAST YEAR AND DO NOT HAVE SPECIFIC CASES THAT COULD BE CITED DURING OECD REVIEW.

B. GOT OFFICIAL POLICY WELCOMES FOREIGN INVESTMENT, BUT ON CONDITIONS GENERALLY THAT IT (A) MAKES A POSITIVE CONTRIBUTION TO NATIONAL ECONOMY; (B) INTRODUCES NEW TECHNOLOGY; (C) AIDS BALANCE OF PAYMENTS THROUGH REPLACEMENT OF IMPORTS OR EXPANSION OF EXPORTS, OR BOTH; AND (D) DOES NOT DISPLACE ESTABLISHED DOMESTIC INDUSTRY (UNLESS NOTABLY SUPERIOR TECHNOLOGY IS INVOLVED). OBSTACLES AND DELAYS ARE MAINLY ENCOUNTERED IN THE INFORMAL PROCESSES BY WHICH POTENTIAL INVESTOR MAY TRY TO DETERMINE IF HIS PROPOSAL DOES MEET THE GOT'S OBJECTIVES, OR HOW THE PROPOSAL NEEDS TO BE MODIFIED IN ORDER TO BE ACCEPTABLE. IN THE ENSUING PROCESS, PROPOSALS MAY BE MODIFIED AND SOME WOULD-BE INVESTORS MAY BE DISCOURAGED AND DECIDE NOT TO PROCEED FURTHER. WE HAVE NO WAY OF MEASURING HOW REASONABLY OR UNREASONABLY THE GOT CRITERIA MAY BE APPLIED, EXCEPT THAT INVESTORS GENERALLY FEEL THAT THE PROCESS IS DISCOURAGING.

C. GOT OFFICIALS AT SENIOR LEVELS ARE AWARE OF THIS GENERAL CRITICISM OF THE PROCEDURES (AS IS ALSO EVIDENT FROM GOT RESPONSE LAST YEAR REPORTED IN OECD A-19). WE HAVE HAD RECENT INDICATIONS THAT SENIOR OFFICIALS WHO ARE INVOLVED IN FORMAL AND FINAL APPROVAL STAGE, AND ARE THEMSELVES FAVORABLY DISPOSED TOWARDS FOREIGN INVESTMENT, ARE BECOMING A BIT SENSITIVE TO REPETITION OF THIS RATHER GENERALIZED CRITICISM. CONSEQUENTLY, WE RECOMMEND THAT POINT BE MADE IN LOW KEY WITH CONSTRUCTIVE APPROACH ON BASIS THAT BENEFITS OF FOREIGN INVESTMENT MAY BE INHIBITED BY TIME-CONSUMING PROCESS OF DEVELOPING INVESTMENT PROPOSALS AND IF OFFICIAL POSITIVE POLICY OF ENCOURAGING WORTHWHILE INVESTMENT IS NOT REFLECTED IN ALL LEVELS OF RELEVANT GOVERNMENT DEPARTMENTS.

MACOMBER

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